



DEPARTMENT OF THE ARMY
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
600 ARMY PENTAGON
WASHINGTON DC 20310-0600

REPLY TO
ATTENTION OF

DAIM-FD (420-49)

2 September 1999

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Privatizing Utility Systems

1. References:

a. Deputy Under Secretary of Defense Memorandum, 23 Dec 98, Defense Reform Initiative Directive (DRID) # 49 – Privatizing Utility Systems.

b. Deputy Assistant Secretary of the Army (Procurement) Memorandum, 23 Oct 98, subject: Defense Energy Support Center (DESC).

c. HQDA Memorandum, DAIM-FDF-E, 06 July 1998, Subject: Request for Defense Energy Support Center Assistance – Utilities Privatization.

d. DLA Memorandum, DESC-A, 28 August 1998, SAB.

2. The purpose of this memorandum is to provide guidance on the approval process for the privatization of Army utility systems.

3. Defense Reform Initiative Directive (DRID) # 49 requires all utility systems to be privatized by FY03 except when not economical or for security reasons. Defense Reform Initiative Directive (DRID) # 21 established the Defense Energy Support Center (DESC) and assigned it the mission to support Military Services with the privatization of their utility systems

4. Privatizing Utility Systems: Privatization is a one time, unique action that transfers the ownership of the utility system to the private sector and is not to be confused with the recurring purchase of electrical power, which is a separate action. The new owner of the utility system is responsible for operations, maintenance and all future upgrades with an obligation to provide the utility service. This is a very complex process involving real estate, environmental, legal, contracting and local personnel issues for the transfer of the utility system to the private/public sector in the most life cycle cost effective manner. DESC is providing assistance to several Army installations to help meet DRID # 49 privatization goals. DESC is helping obtain economies of scale through bundling our privatization requirements both within the Army and with Air Force and the Navy requirements, where feasible based on utility type, utility company and geographical region. I encourage you to work closely with DESC and my staff as you progress



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through this process. In addition, USACE Huntsville Engineering and Support Center (HESC) has established an office to provide installations with a full range of technical support in the utility privatization process.

5. Approval Process: The ACSIM is the authority for all utility system privatization approvals and / or exemptions from privatization. Please submit all privatization documents through your respective MACOMs to OACSIM (ATTN: DAIM-FDF-UE) for processing and approval before any contracts are signed by an installation. The approval request should include (1) Installation Commander's Record of Decision to Privatize, (2) the Economic Analysis, and (3) a Copy of the Proposed Contract. The cognizant Principal Assistant Responsible for Contracting (PARC) should be part of the contract review and submission process. We will conduct all required reviews; determine the need for and have technical reviews conducted; and complete all DA staffing and congressional notifications. We will conduct regular IPRs to obtain your input and streamline the privatization process.

6. Point of contact for this action in my office is Mr. Satish Sharma, DAIM-FDF-UE, COMM (703) 428-7001, DSN 328-7001, email: "Satish.Sharma@hqda.army.mil".



R.L. VAN ANTWERP
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